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Lawmakers should end equipment tax: Montana Legislature needs to stop squabbling about how proposed measures don't go far enough and eliminate it entirely

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It's been less than a week since Congress wrapped up some of its most pressing tax-and-spending concerns, and now we in Montana are toeing the starting line on the biennial three-month race to resolve our own.

Monday marks the beginning of the 2013 legislative session, and while state legislators will tackle hundreds of proposed bills on a wide variety of issues, it's the budget bill that must be passed – and approved by the governor – before they can go home.

Consequently, Montanans can expect to hear still more arguments about money, and a lot of these arguments will likely seem familiar from past legislative sessions. One sore spot that continues to be rubbed raw each legislative session is the oft-threatened but never-extinguished business equipment tax. Nearly everyone agrees – or claims to agree – that this is one tax that could stand to be drastically reduced, if not eliminated altogether. Yet it continues to hang around, contributing to Montana's No. 23 national ranking for per-capita tangible personal property tax collections, according to the Tax Foundation.

Rather than continue to wrangle over this one particular kind of property tax, let's just get rid of it once and for all.

For years now Montanans have heard our politicians talk about promoting economic growth and jobs. Because most, if not all, businesses use some type of equipment in order to conduct business, the business equipment tax is one that should interest every employer and worker in Montana.

It's certainly of interest to politicians. Shortly before his election to the governor's seat, Democrat Steve Bullock proposed eliminating the business equipment tax for more than 11,000 businesses – that is, small businesses whose equipment has an aggregate market value of less than \$100,000.

"Too many small businesses are being taxed on the capital investments they make in purchasing equipment to grow their businesses before those investments ever have a chance to pay off," Bullock said in Billings in July.

If Bullock's plan is adopted by the Legislature it will significantly cut down on the number of businesses that have to pay this tax. Currently 18,360 businesses are paying it; Bullock's plan would exempt 11,704 companies, leaving just 6,656 businesses still paying a business equipment tax. But why should they? Different kinds of businesses require different kinds of equipment to run; a bakery, for instance, requires vastly

different equipment from a dance studio. Why should the bakery be penalized just because its equipment happens to be more expensive?

Partially in recognition of this inherent unfairness, more states are reducing or eliminating personal property taxes in order to encourage business growth – or at least, not to hamper it. According to a recent report from the Tax Foundation, a nonpartisan tax research group based in Washington, D.C., per-capita collections of such taxes decreased by 20 percent from 2000 to 2009, with seven states doing away with them entirely.

Montana's legislators and governors have long argued over the best way to go about reducing the business equipment tax in our state. Most recently, in 2011, the Legislature agreed to lower the business equipment tax rate from 3 percent to 2 percent, except for businesses with more than \$2 million worth of equipment. Currently, businesses whose equipment is worth less than \$20,000 are already exempted.

In contrast to Bullock's plan, Republican legislative leaders are exploring whether to decrease the business equipment tax rate across the board while raising the exemption level. If they were to support Bullock's plan, Montana businesses would collectively save \$9.1 million each year, according to the Montana Department of Revenue. In 2011, the business equipment tax amounted to \$92.4 million, which amounted to just 7.4 percent of all property tax revenue in the state.

With a surplus of well more than

\$400 million, Montana can afford to provide businesses with this small measure of tax relief. In any case, the Legislature should see the elimination of the business equipment tax as a way to help Montana's businesses in a still-struggling economy. Riley Johnson, Montana state director for the National Federation of Independent Business, called the business equipment tax the "the foot on the Superman's cape of addition hiring and business expansion," in a guest column published in the Missoulian last November.

Nearly everyone purports to hate Montana's business equipment tax, and yet we still have it. Our political leaders seem to be always opposing attempts to reduce it on the basis that such measures don't go far enough. This time around, let's urge them to forge an agreement that finally does go far enough – by ending the business equipment tax entirely.

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